



STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
LANSING

MICHAEL R. DEVOS
EXECUTIVE DIRECTOR

March 7, 2006

To: All Interested Parties

From: Ted S. Rozeboom, Director
Office of Legal Affairs

RE: March 2006/September 2006 Funding Rounds

In recent weeks, LIHTC allocation staff members have been asked a series of questions regarding the March and September 2006 tax credit funding rounds. In order to assure that consistent information is provided to all program participants in a timely manner, staff has compiled the most frequently asked questions along with responses from the Authority.

1. Why is there so little tax credit available in the March 2006 funding round?

The 2005-2006 Qualified Allocation Plan (QAP) was designed to accelerate the allocation of tax credit for calendar years 2005 and 2006 using three funding rounds. As a result, the Authority allocated \$12.1 million in tax credit - approximately 70 percent of all 2005 tax credit -- in the April 2005 funding round. The Authority also allocated \$14.5 million in tax credit in the September 2005 funding round. The credit allocated during the September round represented the balance of the 2005 tax credit, plus 50 percent of the tax credit available to the State of Michigan during calendar year 2006. The remaining tax credit for calendar year 2006 - approximately \$9.2 million - will be allocated through the March 2006 funding round. The 9 percent tax credit is a limited federal resource, and with the conclusion of the March 2006 funding round, all tax credit for calendar years 2005 and 2006 will have been allocated.

2. Is it true that projects within the City of Detroit are unable to apply for tax credits in the March 15, 2006 tax credit round?

No. The March 15, 2006 tax credit round is divided into four funding categories -- General, Preservation, Small Projects and Special Needs. Based on the results from the September 2005 tax credit round - in which 50 percent of tax credit available for 2006 was forward allocated - projects located in the City of Detroit may compete for tax credit under the Preservation, Small Projects and Special Needs categories. These three categories represent nearly 60 percent of the remaining 2006 credit to be allocated in the March funding round.

Projects located in the City of Detroit may also compete under the General category; however, because these projects were already awarded nearly 45 percent of the tax credit under the General category for calendar year 2006, the amount of tax credit available to such projects is limited. Previously awarded Detroit projects seeking additional credit or smaller scale rental projects located in Detroit may be able to use the remaining pool of credit, and under limited circumstances, the Authority may consider exceeding the 45 percent geographic limitation if the amount of credit needed to fund a project nominally exceeds what is available to the project under the General category.



- 3. Do projects located in the City of Detroit wishing to compete under the General Category in the March 2006 funding round receive additional consideration in the Fall 2006 funding round?**

If a developer/sponsor determines that his or her project is not financially feasible - due to the limited amount of tax credit available in the Spring 2006 funding round - and submitted an application for the same project in the Fall 2005 funding round, additional consideration will be given in the Fall 2006 funding round if the developer/sponsor submits a letter to the Authority stating that the reason he or she is not submitting an application is due to the limited amount of credit available under the General category. The updated project application submitted in the Fall 2006 funding round must be the same as was submitted in the Fall 2005 funding round to receive additional consideration.

Developers/sponsors that did not submit a project application in the Fall 2005 funding round, will need to submit an application in the Spring 2006 funding round to be eligible to receive additional consideration in the Fall 2006 funding round.

- 4. Are there other options?**

Yes. Because of the limited amount of 9 percent tax credit available on an annual basis, the Authority encourages developers to explore other available program resources to finance their projects. Such resources include, but are not limited to, 4 percent tax credits, HOME funds, and tax-exempt bond financing.

- 5. Will there be a tax credit funding round in the Fall of 2006?**

Yes. It is anticipated that there will be a tax credit funding round in the Fall of 2006. The funding round will forward allocate approximately 50 percent of the State of Michigan's anticipated tax credit ceiling for calendar year 2007.

- 6. Will there be a new QAP prior to the Fall funding round?**

The current QAP will remain in effect until it is replaced or modified. The Authority and many of its affordable housing partners are currently developing a comprehensive, five-year housing strategy. The tax credit is a significant resource and will play a leading role in the implementation of that plan. The five-year plan will be released in late Spring or early Summer, and the Authority is currently evaluating the best process for aligning the allocation of the tax credit with the recommendations of the comprehensive, five-year housing strategy while assuring adequate time for project sponsors to prepare tax credit applications.

Please contact Norman L. Harrod, Allocations Manager, at 517-335-2018, if additional information is needed.